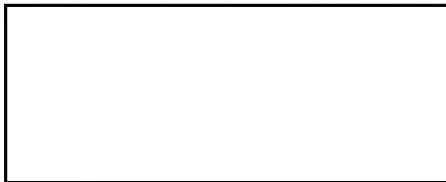


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22 March 1955



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CENTRAL INTELLIGENCE AGENCY

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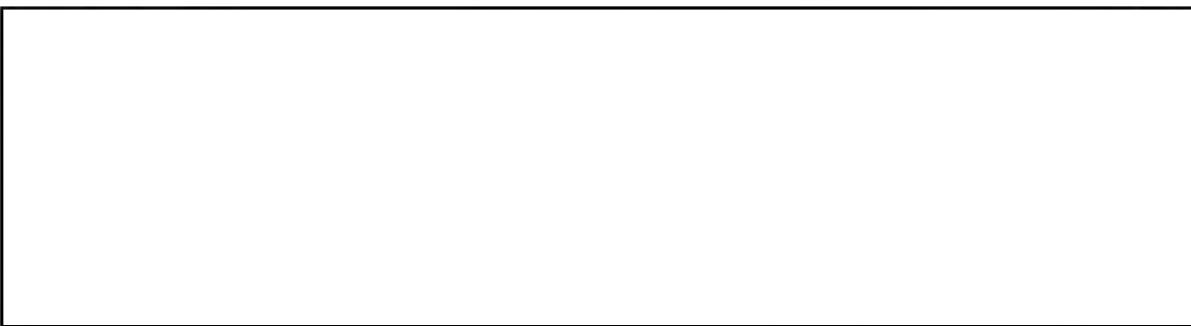
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NEAR EAST - AFRICA

3. Iranian prime minister threatens to resign (page 4).

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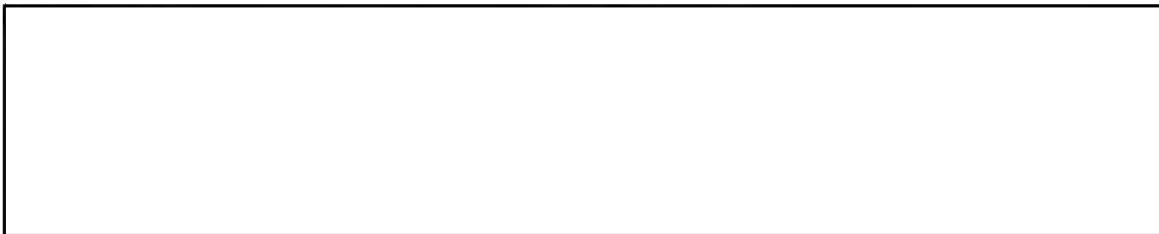
LATIN AMERICA

5. Honduran chief of state threatens to turn government over to ex-dictator (page 6).

THE FORMOSA STRAITS (page 7)

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NEAR EAST - AFRICA

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3. Iranian prime minister threatens to resign:

[Redacted]

Prime Minister Zahedi has informed the Shah that either he or Seven-Year-Plan director Ebtehaj must leave the government and that the Shah must make the choice, according to Minister of Court Ala.

The Shah replied that he has confidence in Ebtehaj and cannot ask him to withdraw. The monarch wants Zahedi to reconsider and establish a satisfactory working relationship with Ebtehaj.

Ala told the American chargé in Tehran that the Shah hopes Zahedi will leave the country for medical treatment so that within a month or two a new prime minister can be appointed. The Shah added that if Zahedi should refuse to leave Tehran, it might be necessary to make an "outright change" in the government. The Shah hopes, however, that Zahedi's departure from the government will be in circumstances enabling the monarch to pay him high tribute for his great services to Iran.

Comment: The uncertain political situation in Iran appears headed for clarification shortly after the end of the Iranian New Year's holidays in late March.

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LATIN AMERICA

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5. Honduran chief of state threatens to turn government over to ex-dictator:

[Redacted]

Honduran chief of state Julio Lozano has decided to resign and turn the government over to ex-dictator Tiburcio Carias, according to Foreign Minister Mendoza.

Lozano allegedly reached this decision after becoming convinced that the International Bank for Reconstruction and Development would not grant Honduras a loan. He believes that such a decision by the bank would wreck his administration's politically important five-year economic development program.

Ambassador Willauer feels that denial of the bank loan would seriously endanger Honduran political stability and that "a political upset now would have catastrophic results."

[Redacted]

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Lozano is tired and demoralized by the political struggle among the three parties represented in his three-month-old "government of national union."

Lozano may be inclined to abandon his effort aimed at restoring national unity and to turn the government over to Carias, even though he admits Carias would probably rule despotically and deepen the political antagonisms dividing Honduran society. On the other hand, he may calculate that a threat to resign would unify and strengthen his government by dramatically posing the disagreeable and only practical alternative, one-party dictatorship.

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THE FORMOSA STRAITS

Report of the IAC Current Intelligence Group for the Formosa Straits Problem

This report is based on information received in Washington during the period 1100 hours 20 March to 1100 hours 21 March 1955.

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1. Military action over the weekend was negligible. There were continued scattered indications of the improvement of Communist fortifications opposite the Matsus and Quemoys. Offensive action, however, was limited to scattered artillery fire on the Quemoys.

2. The rehabilitation of Nantai airfield near Foochow is in progress and could be completed and the field readied for jet operations within 10 days. There is no present indication of comparable work at the other five fields in Fukien. Each of them could be readied for air operations in five to ten days, however.

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5. The volume of Chinese Communist and Soviet propaganda on Formosa has dropped sharply since its all-time peak at the beginning of February. However, Peiping has continued to affirm its objective of "liberating" Formosa and other Nationalist-held islands,

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and has devoted attention to the Soviet-proposed international conference to deal with US "aggression" in Formosa. Moreover, Peiping Radio on 20 March derided any American belief that "tactical atomic weapons" could achieve a "quick victory."

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